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Budget Update

It is important we pass a budget that is fiscally responsible and does not incur out-year deficits in the future. On June 15, the Budget Conference Committee proposed a budget to the Legislature. Unfortunately, this budget proposal was fiscally irresponsible with massive deficits in the out years.

In fact, the non-partisan Legislature's Analyst's Office stated that the Democrats 2005-06 general fund budget would spend \$5 billion more than existing revenues and that it proposed covering the gap largely with borrowed money. The projected revenues would increase by \$5 billion over 2004-50 – about 6 percent but the state spending would increase by \$7.5 billion, or 9 percent.

News of the Week

Laws Dealing with Sexual Predators are Running in the Right Direction

<u>Victor Elementary School District Will Ask Superintendent to</u>
<u>Reconsider \$1.2 Million Contract</u>

Motorists Can Dial #399 in LA County to Report Pot Holes or Call for a Tow

Federal Funds In Jeopardy Because State's
Insistence of Extreme Position

137 Sex Offenders This Year Received
Taxpayer Paid Viagra

U.S. Supreme Court Decision on Eminent Domain

Nearly an Internal Coup Over Stem Cell Czar

<u>Press Release: Runner's Bill To Assist</u> Hospitals Passes Committee

This budget proposal was rejected unanimously by the Republicans in both the Assembly and the Senate. Unfortunately, the primary sticking point was that the Democrats differed from the Governor's May Revise budget proposal by using one-time revenues for on-going programs. This is like using a modest one-time inheritance to buy a multi-million dollar home with large mortgage payments – it is a recipe for fiscal ruin, much like we experienced under Governor Gray Davis.

Unfortunately, even after it was clear that we are only interested in a fiscally responsible budget, the Democrats continue to propose to use one-time revenues to increase spending for welfare programs such as CalWorks and for pay increases for employees which will add over \$2 billion to next year's budget deficit.

The Governor's May Revise budget used the one-time revenues that the state received this year to pay back loans and for other one-time expenditures. For example, the Governor proposed to pay back \$600 million owed to local governments. This loan repayment was half of the total owed to the local governments by the state. The Democrats used these one-time revenues, not to minimize the state's debt, but instead proposed spending for on-going programs which will increase our debt in future years.

We will face budget deficits forever until we begin to act responsibly. The Democrats' proposed

changes would add over \$2 billion to the gap between expenditures and revenues. This gap would be added to next year's deficits. The bigger the gap between revenues and spending, the more our state's financial situation will worsen.

Even though the budget did not pass on time, it would be irresponsible and ultimately detrimental if we passed a budget that continued to widen the gap between expenditures and revenues. This merely increases the pressure to raise taxes and that is something I will not support.

So instead of focusing on passing a budget on time, we ought to be focused on a budget that is fiscally responsible without out year deficits. To do otherwise, is to return to the fiscal recklessness of the Davis Administration which we are still trying to fix.

If you would like to contact Senator Runner, please click here: Email - Website

OFFICES

Capitol

State Capitol, Room 4066 Sacramento, CA 95814 Phone: 916-445-6637

Fax: 916-445-4662

Victorville

Victorville City Hall
14343 Civic Drive, First Floor
Victorville, CA 92392

Phone: 760-843-8414 Fax: 760-843-8348

Antelope Valley

848 W. Lancaster Blvd, Ste 101

Lancaster, CA 93534 Phone: 661-729-6232 Fax: 661-729-1683

Santa Clarita – San Fernando Valley – Ventura County

Santa Clarita City Hall 23920 Valencia Blvd., Suite 250 Santa Clarita, CA 91355

Phone: 661-286-1471 Santa

Clarita Valley

Phone: 661-286-1472 San

Fernando Valley & Ventura County

Fax: 661-286-2543